Open for Business Overview

Project Description

Are you interested in running a business someday? Do you think about what you would like to do when you get older? Would you be interested in developing a new product/service of your choice and starting a business to sell and market your product/service? Would you be more interested in starting a business about something that you love? How about starting a chocolate company like some of the kids that you will read about in this project?

Although business and marketing might seem like something that grown-ups are more interested in than kids, you would be surprised about how many younger people are interested in running a business. You probably don’t think about it, but you actually deal with business in some way almost every day! Any time you buy a candy bar or pay for a haircut you become part of the business world.

When you watch a commercial or see an advertisement on TV, you experience marketing firsthand. This alone is a good reason to study business. Did you know that many companies target most of their advertising to kids? Knowing how businesses work will make you a smarter shopper—or tell you when not to buy a product. Another reason to learn about running a business is that you may want to do this as a job someday! Many adults find that they are happiest having their own businesses and working for themselves.

What do you think? Could you be a success in business? You will never know unless you learn a little more. Once you have information about business and marketing, you can, in this project, design a business plan and then write a proposal, and do a presentation to share with others.

Step One: Learn About Business - Interest Areas and Vocabulary

The terms below are what we call “jargon.” Jargon is language that is used in a particular industry. The following phrases are part of the jargon in the field of business**.** They can help you to understand how business works:

**Business**: An organization that provides products to customers

**Product**: What the business sells. A product can be something physical, such as toys, toothpaste, or clothing, or a product can be a service that you pay for, such as a haircut, mowed lawn, dance lessons, etc.

**Price**: The amount of money that the business asks in return for its product.

**Sales Revenue**: Money that the business gets from selling its products. Example: If a lemonade stand makes 10 cups of lemonade and sells each cup for 50 cents, the sales revenue is $5. You can think of sales revenue as an equation if you like math. The equation would look like this:

**Sales revenue** = Number of products sold x Price

**Manufacture Cost**: The amount of money that the business spends to make the product. Example: Manufacture cost for making lemonade would be the total cost of the ingredients in the lemonade (lemons, sugar, ice, etc.).

**Financial gain**. In other words, making money! A business makes a profit when the sales revenue (what you get when you sell the product) is greater than the manufacture cost (how much you spend to make the product). You can think of profit as an equation, too. The equation would look like this:

**Profit** = Sales revenue - Manufacture cost.

How does all this business jargon work together? Here’s an example:

Let’s say it costs the owner of a lemonade stand 10 cents to make one cup of lemonade. This includes the cost of lemons, sugar, and ice. It also includes the plastic cups for the lemonade, since the customers can’t drink it right from the pitcher! If the owner of the stand makes 10 cups of lemonade, his manufacture cost is 10 cents x 10 cups. In other words, his manufacture costs = $1.

Now, the lemonade stand owner could sell the lemonade for 10 cents per cup. Why not? That seems fair, because that’s how much it cost to make. But…there’s a problem. First, the owner has committed his time and his effort to making the lemonade. If he sells the lemonade for 10 cents per cup—the price of his manufacture cost—no one is paying him for the time and effort. Also, if he sells the lemonade for the manufacturing cost, there’s no hope of him making a profit. Most businesses exist solely to make a profit! Let’s say instead that he sells each cup for 50 cents. If he sells all 10 cups at 50 cents, his sales revenue is $5 (50 cents x 10 cups).

So, did the lemonade stand make a profit? Well, the money earned from selling lemonade (sales revenue) was $5. This is greater than the $1 spent to make the lemonade (manufacture cost), so YES, the lemonade stand made a profit! In fact, the stand made a profit of $4 because it made $5 selling the lemonade but had to spend $1 to make the lemonade.

Businesses are very creative (like making unusual chocolate lollypops and others are old ideas done in new ways for wonderful reasons (like starting lemonade stands to help kids with cancer).

Step Two: Learn About Marketing

If a business is going to make a profit, it has to sell its products. That’s where marketing comes in! Businesses use marketing to get people to buy their products. Look at the terms below to help you understand marketing and how it works.

**Marketing**: The process a business uses to make customers interested in its products.

**Consumer**: A person who buys products. Whenever you buy something, you become a consumer!

**Advertising**: Advertising is an important part of marketing because it tells consumers about products. Advertising can take many different forms, including television ads, billboards, or even someone standing on the street handing out flyers.

**Target Audience**: A group of people most likely to buy a product. (For example, the target audience for toys is children, while the target audience for cars is adults.) It is very important that advertising appeal to the target audience, otherwise the product will not sell. For example, a car company that only advertised to children wouldn’t profit because kids can’t buy cars!

Can you convince your target audience that Burp Cola is the best? This time you’ll have to choose where to put the ad, so think about who your target audience is and how to best reach them.

Step Three: Create a Business Log

For this project you are going to research how to start a business. You’re almost ready to start! But first you need to create a Business Log. Your log is a special notebook just for this project. It will help you keep track of all of the information you will need to do your project.

This includes:

* Information about manufacturing cost
* Information about pricing your product
* Information about marketing and advertising
* You will also want to write this information in your log:
  + Name of books or websites where you find information for your business
  + The authors of books you use
  + The publisher of books you use
  + The dates of publication for books you use
  + Page numbers where you found information in books
  + The web addresses and titles of websites you use
  + The dates when you retrieved information from websites

Whenever you write in your log, note the date and time. This is a good habit for keeping track of research.

Step Four: Choose a Business

Ready to start thinking about your own business? In this step you will choose a business that you want to start. Your job is to think about what types of business interest you, and which of them makes the most sense.

When thinking about what type of business to choose for this project, you might want to consider something that other kids have done well, that is, start a lemonade stand. Lemonade is inexpensive and easy to make. Also, there are tons of websites for kids about running a profitable lemonade stand! Lemonade stands are often considered great first businesses for kids.

Another choice is to use what you learn on lemonade stand websites to make a similar product. For example, instead of researching a lemonade business, you could research a cookie business. Then instead of having a stand, you could hold a bake sale. If you’re artistic, you could research a business selling brightly colored string bracelets, and then have a craft fair. Be creative and follow your interests!

***Just keep in mind:*** Your product for this project is a business plan in written or presentation form. You need to choose a business that will let you easily find information about costs and pricing. You also have to consider whether you could learn enough about constructing the product to make your plan believable. For example, you may like the idea of a videogame business or a toy business. However, these products require special knowledge that you may not have, such as which software is used in designing videogames, and how much it costs. If you’re passionate about a product ask your teacher for help. Together you can figure out if it’s reasonable to research this type of business.

Whatever business you choose, remember—**you don’t necessarily have to** **run the business**. It will be great if you can, but your product for this project is just a plan. If you can find enough information about a type of business to make a plan, go for it!

Step Five: Complete Your Research

When researching your product you’ll need to figure out the manufacture costs, what you will charge (pricing), and your target audience. You will also want to learn about the best way to advertise to your target audience. Remember to write the name of the website, and the web address. This is also done in Business Log.

Step Six: Do Your Project!

You make a written business plan to submit to your teacher. This just means that you would describe your business plan and use a PowerPoint or a paper or brochure to support your presentation.